Cost Flow methods – Exercise 1

Task: A company buys and sells one model of personal computers. Calculate the company's Cogs, beginning and ending inventory if you know that it purchased:
3 PCs at $350 – December 1st 2017
4 PCs at $400 – December 8th 2017
5 PCs at $500 – December 21st 2017

The company sold two PCs on 10th of December and another two on the 22nd of December. The first two PCs it sold were purchased on the 1st of December, while the second two on the 8th of December.

Accounting for	COGS	Inventory
Specific Identification	?	?
FIFO	?	?
Weighted average cost	?	?
LIFO	?	?

365 Careers

Cost Flow methods – Exercise 2

Task: Carry out the same calculation for an updated price of the PCs purchased on the 21st of December
3 PCs at $350 – December 1st 2017
4 PCs at $400 – December 8th 2017
5 PCs at $600 – December 21st 2017

Compare the different methods and the way they are impacted by increasing prices

The company sold two PCs on 10th of December and another two on the 22nd of December. The first two PCs it sold were purchased on the 1st of December, while the second two on the 8th of December.

Accounting for	COGS	Inventory
Specific Identification	?	?
FIFO	?	?
Weighted average cost	?	?
LIFO	?	?

365 Careers

Cost Flow methods – Solution Exercise 1

Task: A company buys and sells one model of personal computers. Calculate the company's Cogs, beginning and ending inventory if you know that it purchased:
3 PCs at $350 – December 1st 2017
4 PCs at $400 – December 8th 2017
5 PCs at $500 – December 21st 2017

The company sold two PCs on 10th of December and another two on the 22nd of December. The first two PCs it sold were purchased on the 1st of December, while the second two on the 15th of December.

Accounting for	COGS	Inventory
Specific Identification	2x$350 + 2x$400 = $1,500	1x$350 + 2x$400 + 5x$500= $3,650
FIFO	3x$350 + 1x$400 = $1,450	3x$400 + 5x$500= $3,700
Weighted average cost	2* (3*$350+4*$400)/7 = $757 (10th Dec) 2* (3*$350+4*$400+5*$500)-$757/(12-2) =$879 (21st Dec)	3*$350+4*$400+5*$500 – $757- $879 = $3,514
LIFO	2 x $400 + 2*500 = $1,800	3x$350 + 3x$400 + 3x$500 = $3,350

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Cost Flow methods – Solution Exercise 2

Task: Carry out the same calculation for an updated price of the PCs purchased on the 31st of December
3 PCs at $350 – December 1st 2017
4 PCs at $400 – December 15th 2017
5 PCs at $600 – December 17th 2017

Compare the different methods and the way they are impacted by increasing prices

The company sold two PCs on 10th of December and another two on the 17th of December. The first two PCs it sold were purchased on the 1st of December, while the second two on the 15th of December.

Accounting for	COGS	Inventory
Specific Identification	2x$350 + 2x$400 = $1,500	1x$350 + 2x$400 + 5x$600= $4,150
FIFO	3x$350 + 1x$400 = $1,450	3x$400 + 5x$600= $4,200
Weighted average cost	2* (3*$350+4*$400)/7 = $757 (10th Dec) 2* (3*$350+4*$400+5*$600)-$757/(12-2) =$979 (21st Dec)	3*$350+4*$400+5*$600 – $757- $979 = $3,914
LIFO	2* $400 + 2*$600 = $2,000	3x$350 + 2x$400 + 3x$600 = $3,650

365 Careers